Departmental Performance Report

For the period ending March 31, 2008

The Honourable Stockwell Day
Minister for International Trade

Canada

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SECTION 1 – DEPARTMENTAL OVERVIEW

1.1 The Minister's Message

The North American Free Trade Agreement (NAFTA) – now in its 15th year – stands as a clear example of success for all three North American partners. NAFTA has contributed to the competitiveness of the North American region by sharpening the competitive advantages of businesses and increasing the prosperity of our citizens.

The principal dispute settlement mechanisms of NAFTA are found in Chapters 11 (Investment), 19 (Review and Dispute Settlement in Antidumping and Countervailing Duty Matters), and 20 (Institutional Arrangements and Dispute Settlement Procedures). For investment disputes relating to obligations of NAFTA parties under Chapter 11, the NAFTA sets out dispute resolution procedures to resolve complaints between NAFTA investors and the host State. Chapter 19 establishes a mechanism to provide an alternative to judicial review by domestic courts of final determinations in antidumping and countervailing duty cases with review by independent binational panels. Although Chapter 19 panel decisions are binding, an Extraordinary Challenge Committee (ECC) procedure may be initiated, in extraordinary circumstances, by a NAFTA government to review a binational panel decision. Finally, Chapter 20 dispute settlement provisions are applicable to all disputes regarding the interpretation or application of the obligations of NAFTA for which there are no special dispute settlement provisions such as those found in Chapter 19. The steps set out in Chapter 20 are intended to resolve disputes by agreement, if at all possible.

The NAFTA Secretariat, which is composed of the Canadian Section, the U.S. Section and the Mexican Section, is responsible for the administration of the dispute settlement provisions in Chapters 19 and 20 of NAFTA. Through increasing the quality of the management of international trade dispute settlement processes, the Canadian Section of the NAFTA Secretariat also contributes to the strengthening of Canada's international trade performance. Exporters and investors are far more likely to engage in international commerce when they have access to impartial dispute settlement mechanisms should disagreements arise.

For the 2007-2008 reporting period, the Canadian Section of the NAFTA Secretariat continued to focus its efforts on the improvement of its service delivery through support to panels and committees and through a continued commitment to an unbiased and equitable administrative process, to openness and accountability, to national and international collaboration, to operational efficiency and effectiveness and to the maintenance of high quality service. All of these priorities were met in the 2007-2008 period, during which a total of ten NAFTA Chapter 19 panel proceedings were administered by the NAFTA Secretariat, Canadian Section. Of these, one resulted in a decision being issued, six were terminated and, as of March 31, 2008, the remaining four were still in progress.

I encourage the Canadian Section of the NAFTA Secretariat to continue its high level of service in support of the effective, unbiased and equitable administration of the dispute settlement mechanisms of the NAFTA.

The Honourable Stockwell Day
Minister for International Trade

1.2 Management Representation Statement

I submit for tabling in Parliament, the 2007–08 Departmental Performance Report for the NAFTA Secretariat, Canadian Section.

This document has been prepared based on the reporting principles contained in the *Guide for the Preparation of Part III of the 2007–08 Estimates: Reports on Plans and Priorities and Departmental Performance Reports*:

It adheres to the specific reporting requirements outlined in the Treasury Board Secretariat guidance;

It is based on the department's Strategic Outcome(s) and Program Activity Architecture as approved by the Treasury Board;

It presents consistent, comprehensive, balanced and reliable information;

It provides a basis of accountability for the results achieved with the resources and authorities entrusted to it; and

It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

_____

Anne McCaskill
Secretary
NAFTA Secretariat, Canadian Section

_____

Date

1.3 Summary Information

This report begins by briefly describing the purpose of the NAFTA Secretariat, Canadian Section, followed by the Canadian Section's strategic outcome and performance results for the period under review, including financial performance, operating environment and key co-delivery organizations. The report then summarizes risks and challenges as well as human and financial resources. The final section provides organizational information on who we are and what we do.

The report reflects the four principles for public reporting set by Treasury Board of Canada Secretariat (TBS). These principles require departments and agencies to:

- focus on the benefits for Canadians, explain the critical aspects of planning and performance, and set them in context;
- present concise, credible, reliable, and balanced information;
- associate performance with plans, priorities, and expected results, explain changes, and apply lessons learned; and
- link resources to results.

1.3.1 Raison d'être

The NAFTA Secretariat, Canadian Section is an independent agency created in 1994 under the *North American Free Trade Agreement Implementation Act* (see Annex A for the full mandate of the Secretariat). Its principle responsibility is to administer the dispute settlement provisions in NAFTA Chapters 19 and 20. It also supports the Ministerial level Free Trade Commission and participates in the Chapter 19 Working Group. The Canadian Section's mandate was expanded in 1997 and again in 2002 to include the administration of dispute settlement provisions in Canada's Free Trade Agreements with Israel, Chile and Costa Rica.

To fulfill its mandate, the Canadian Section must maintain a highly effective and impartial process for the implementation of dispute settlement provisions under NAFTA and the bilateral Agreements. This contributes importantly to preserving the benefits of free trade for all stakeholders.

1.3.2 Strategic Outcome and Program Activity Architecture

In its 2007-2008 Report on Plans and Priorities (RPP), the NAFTA Secretariat, Canadian Section identified one key program activity, which is the administration of international trade dispute settlement mechanisms. In addition, a second program activity has been defined as internal services, in line with TBS directives. This program activity is used by all departments and agencies to describe corporate services designed to deliver cost-effective support services that facilitate the achievement of departmental objectives.

The following table provides the NAFTA Secretariat, Canadian Section's strategic outcome supported by two program activities (see Sections 1.4, 2.1 and 3.1 and Section 3 for a summary of planned and actual spending for our key program activity as well as a link to the Government of Canada outcome area).

Strategic Outcome	A highly efficient, impartial and rules-based international trade dispute resolution process that benefits Canadian exporters to NAFTA countries, as well as NAFTA country exporters doing business in Canada	
Program Activity	Administration of International Trade Dispute Settlement Mechanisms	Internal Services[1]

1. Internal services provide governance and management support and resource and asset management services that enable the NAFTA Secretariat, Canadian Section to conduct its key program activity. All financial and non-financial performance information relating to this program activity is captured under our key program activity, which is the administration of dispute settlement mechanisms.

1.3.3 Operating Framework

The Canadian Section of the NAFTA Secretariat is funded by Parliament through a program expenditures vote. It operates within the context of Canada's international trade framework.

The Canadian Section reports to Parliament, for financial accountability purposes, through the Minister of International Trade (see Section 4.7 – Responsibility Chart).

For more details on the operating context, see the NAFTA Secretariat website at http://www.nafta-sec-alena.org and the Canadian Section website at http://www.nafta-sec-alena.org/canada/index_e.aspx.

1.3.4 Key Co-Delivery Organizations

Although the NAFTA Secretariat, Canadian Section operates at arm's length from other federal and provincial government institutions, it must maintain appropriate working relationships with key players in order to successfully deliver its strategic outcome. Accordingly, the Canadian Section interacts directly with:

- Foreign Affairs and International Trade Canada;
- Canada Border Services Agency;
- Canadian International Trade Tribunal;
- roster members (list of international trade law experts established by the NAFTA governments to serve as panelists in disputes);

- panelists (adjudicators of these disputes chosen on a case by case basis by the involved governments);
- counsel for participants in the disputes, including counsel for investigating authorities (government agencies whose decisions are reviewed by binational panels);
- representatives of the NAFTA country governments;
- university academics; and
- the general public.

Furthermore, the Canadian Section has established memorandums of understanding with other federal government departments for the provision of human resources support services, financial systems, various back-up services and the administration of *Public Servants Disclosure Protection Act*. Such agreements are currently in place with, among others, Public Works and Government Services Canada, Health Canada and the Military Police Complaint Commission.

1.3.5 Risks and Challenges

The following are key environmental factors that could affect the planning and priority setting of the NAFTA Secretariat, Canadian Section:

1.3.5.1 Tripartite Nature of the NAFTA Secretariat

The NAFTA Secretariat is comprised of the Canadian, the United States and the Mexican national sections. Pursuant to Article 1908 of the NAFTA, the involved national sections are required to "act jointly in providing administrative assistance to all panels and committees". In light of this, maintaining close working relationships with its counterpart sections in the United States and Mexico is fundamental to the Canadian Section's effective performance.

In this regard, the NAFTA Secretariat operates in a context where different legal, linguistic, business and cultural traditions prevail. Managing the Canadian participation in this tripartite organization must be conducted within the policies and practices of the Canadian Government and also be harmonized with administrative practices of its U.S. and Mexican partners. New initiatives often require extensive consultations and negotiation before they can be implemented.

1.3.5.2 Maintaining Organizational Capability

The success of the NAFTA Secretariat and its credibility as an independent tribunal depends on the expertise, professionalism and competence of its employees. Hence, we have continued essential training for employees and managers to ensure they have the knowledge and skills to meet evolving

mandatory job requirements and works to ensure the retention of key personnel..

1.3.6 Financial and Human Resources

Total Financial Resources (S 000)

2007-2008		
Planned Spending	Authorities	Actual Spending
$3,001	$2,908	$1,618

Total Human Resources (FTEs)

2007-2008		
Planned	Actual	Difference
13	10	-3

1.4 Summary of Departmental Performance

In its 2007-2008 RPP, the NAFTA Secretariat, Canadian Section identified six priorities, which were aimed at finding and improving ways to enhance its service delivery (see Sections 2.3.1 to 2.3.6 below). Overall, substantial progress was achieved against all priorities. Table 1 provides an overview of the results achieved during the year under review.

Table 1: Departmental Priorities

Name	Type	Performance Status
Support to panels and committees	ongoing	successfully met
Unbiased and equitable administrative process	ongoing	successfully met
Openness and accountability	Ongoing/new	successfully met[1]
National and international collaboration	Ongoing/new	successfully met[1]
Operational efficiency and effectiveness	Ongoing/new	successfully met[1]
Highest quality of service	ongoing	successfully met[1]

1. Some are ongoing, multi-year strategic priorities.

Table 2: Program Activities by Strategic Outcome

	Expected Results	Performance Status[1]	2007-2008		Contributes to the following priority
			Planned Spending ($,000)	Actual Spending[2] ($,000)	
Strategic Outcome: A highly efficient, impartial and rules-based international trade dispute resolution process that benefits Canadian exporters to NAFTA countries, as well as NAFTA country exporters doing business in Canada.					
Program Activity	Improved support to panels and committees	Successfully met	650	318	1
Administration of International Trade Dispute Settlement Mechanisms	Unbiased and equitable administrative process	Successfully met	500	220	2
	Corporate culture that ensures transparency in management processes	Successfully met	320	180	3
	Increased national and international collaboration	Successfully met	381	200	4
	Improved management practices and continuous learning	Successfully met	550	300	5
	Maintenance of the highest quality of administration	Successfully met	600	400	6

1. The results shown reflect feedback on its program and services from TBS on our Management Accountability Framework (MAF) assessment and from its employees at regular management meetings and other key strategic planning meetings. Additionally, the audit carried out by the Canadian General Standards Board determined that our management systems meet the standards of ISO 9001:2000. As a result, the Canadian Section obtained a recertification (see also Section 2.3.3).

2. Cost includes program spending and salaries and benefits.

SECTION 2 – ANALYSIS OF PERFORMANCE BY STRATEGIC OUTCOME

2.1 Strategic Outcome

A highly efficient, impartial and rules-based international trade dispute resolution process that benefits Canadian exporters to NAFTA countries, as well as NAFTA country exporters doing business in Canada.

2.1.1 Program Activity Name

Administration of International Trade Dispute Settlement Mechanisms

In its 2007-2008 RPP, the NAFTA Secretariat, Canadian Section identified one strategic result through one program activity. The six priorities listed in Section 1.4 of this document were aimed at supporting and enhancing the NAFTA Secretariat, Canadian Section's ability to carryout its mandated responsibilities.

The following table shows actual spending on financial and human resources for its strategic outcome and program activity in 2007-2008.

Financial Resources

Planned Spending	Authorities	Actual Spending
$3,001	$2,908	$1,618

Human Resources

Planned	Actual	Difference[1]
13 FTEs	10 FTEs	3 FTEs

2.2 Performance Measure Strategy

The NAFTA Secretariat's actual performance management framework consists of seven key documents. These are:

- The Report on Plans and Priorities - sets the strategic directions and outlines to parliamentarians and Canadians the results the organization plans to achieve with the resources entrusted to it;
- The Strategic Plan - defines the Secretariat's mandate and strategic outcome, assesses the internal and external situation, documents the corporate risk profile and provides strategic priorities for the next 3-5 years;
- The Integrated Business and Human Resources Plan - integrates business, people and technology management as the foundation for the effective planning of ongoing operations. It identifies the human resource and information technology implications by priority project for the fiscal year;

- Client Service Standards Monitoring Questionnaire - At the completion of each panel review, the Canadian Section monitors client (panelists, assistant to panelists and counsel for participants) satisfaction with its services by requesting them to complete a **Client Service Standards Monitoring Questionnaire**. The most important service qualities clients are asked to rate include:
    - accuracy, relevance and quality of information provided;
    - the impartiality of the information;
    - provision of guidance by senior staff on the dispute settlement processes, rules of procedures and code of conduct;
    - accessibility of the staff;
    - independence; and
    - scheduling of panel hearings/conference calls/panel meetings.

  This feedback enables the Section to evaluate its services on an ongoing basis and to maintain its high service standards.
- ISO 9001:2000 Quality Policy and Quality Plan – defines specific performance indicators, which are audited by an independent external body on an annual basis;
- As well, the Canadian Section is committed to the highest standards of ethical behaviour in serving the Canadian public as reflected in its guiding principles (see ANNEX B); and
- The Departmental Performance Report completes the accountability loop by reporting to Parliament on the results achieved.

2.3 Performance Accomplishments

In the 2007-2008 reporting period, the NAFTA Secretariat, Canadian Section administered a total of 10 panel proceedings, with 1 decision issued. Six of these proceedings were terminated and the remaining were still under review as at March 31, 2008. Status reports for these cases are available on the NAFTA Secretariat website at http://www.nafta-sec-alena.org.

Case Summary 2007-2008	
Cases administered	10
• Terminated during the year	6
• active at year end	4
Decision issued	1

The following is the list of panel reviews administered during the year under review:

- Copper pipe fittings originating in or exported from the United States of America (Dumping) - CDA-USA-2007-1904-01;
- Unprocessed grain corn, excluding seed corn (for reproductive purposes), sweet corn and popping corn, originating in or exported from the United States of America (AD/CVD) – CDA-USA-2006-1904-01;
- Magnesium from Canada (Five-Year Reviews of the Countervailing Duty and Antidumping Duty Orders) - USA-CDA-2004-1904-01;
- Certain Softwood Lumber Products from Canada (Final Results of Countervailing Duty Administrative Review and Rescission of Certain Company-Specific Reviews) - USA-CDA-2005-1904-01;
- Certain Softwood Lumber Products from Canada (Determination under Section 129(a)(4) of the Uruguay Round Agreements Act) - USA-CDA-2005-1904-03;
- Certain Softwood Lumber Products from Canada (Antidumping Duty Determination under Section 129 of the Uruguay Round Agreements Act) - USA-CDA-2005-1904-04;
- Certain Softwood Lumber Products from Canada (Final Results of Antidumping Duty Administrative Review) - USA-CDA-2006-1904-01;
- Certain Softwood Lumber Products from Canada (Final Countervailing Duty Administrative Review) - USA-CDA-2006-1904-02;
- Carbon and Certain Alloy Steel Wire Rod from Canada (Final Results of Antidumping Duty Administrative Review) - USA-CDA-2006-1904-04; and
- Certain Softwood Lumber Products from Canada (Final Scope Ruling) - USA-CDA-2006-1904-05.

Additionally, during the period under review, the Canadian Section provided services such as translations, distribution of documents, record-keeping, safeguarding and dissemination of records of completed panel reviews. It also provided logistical planning for panel meetings and hearings, administrative and accounting services, as well as procedural guidance regarding the rules of procedures and the Code of Conduct to counsel for participants, panelists and assistants to panelists.

2.3.1 Improved Support to Panels and Committees

The NAFTA Secretariat, Canadian Section is committed to administer the dispute settlement processes in a timely, fair and effective manner. The major tasks include case management, administrative, technical and logistical support to panels and committees, including the administration of a court-like registry at a level comparable to other registries of superior courts of record in Canada.

To this end, the Canadian Section:

- administered and operated a court-like registry for the filing and processing of panel review documents; and
- ensured fair and equitable procedural and administrative services based on the legal principles and the rules and regulations applicable to the proceedings.

2.3.2 Unbiased and Equitable Administrative Process

Fundamental to the effectiveness of the NAFTA Secretariat is the provision of impartial procedural guidance and equitable administrative support to the participants and panels of experts who hear and decide on cases brought before them.

To this end, the NAFTA Secretariat continued its effective participation in the NAFTA Chapter 19 Operation Working Group, which comprises the representatives of the Parties, their investigating authorities and the three national sections. The activities are aimed at improving the operations of the dispute settlement processes.

2.3.3 Openness and Accountability

The NAFTA Secretariat, Canadian Section is committed to the promotion of a corporate culture that ensures transparent management processes and accountability.

To this end, the Canadian Section:

- provided timely and accurate financial reporting;
- was audited by the Canadian General Standards Board. The report showed that the ISO 9001:2000 quality management system met all the audit requirements and as a result we were re-certified;
- was assessed by the Treasury Board Portfolio on the Management Accountability Framework. This process, which pinpointed management strengths and weaknesses, provided invaluable feedback

for the Agency to use in strengthening its performance and providing greater results for Canadians; and

- was audited by the Public Service Commission. The audit of its human resource staffing practices found that:
  - management took the necessary steps to establish an appropriate framework, systems and practices for managing our staffing activities; and
  - the staffing transactions conducted under the current Public Service Employment Act were complaint with authorities and respected the appointment values.

2.3.4 Increased National and International Collaboration

Collaboration with the other national sections in the joint administration of panels as well as in the joint development of policies and programs aimed at facilitating the operation of the dispute resolution process is of paramount importance in fulfilling the mandate of the NAFTA Secretariat.

To this end, the Canadian Section:

- jointly administered dispute settlement panels with the United States section;
- continued consultation work with other national sections for the redesign of the NAFTA website and the Registry Information System. The Agency is leading the way in moving the website to a more dynamic platform. The website provides a variety of users with easy access to online information. The web based Registry Information System enables the three national sections to capture panel review related information and numerous other required tools in an environment where sharing information is an essential part of doing business. Both projects from the design point of view have been completed at the time of writing this report; and
- consulted and liaised with other government departments to fulfil its mandated responsibilities.

2.3.5 Operational Efficiency and Effectiveness

The NAFTA Secretariat, Canadian Section is committed to employing new information technologies to further develop and enhance systems and processes that improve the overall efficiency of the dispute settlement processes and staff productivity.

In this context, the Canadian Section,

- provided financial administration support to panels and committees;
- initiated the development of an integrated business and human resources plan. When completed during the next fiscal year, the NAFTA

Secretariat will make significant progress towards efficiency and innovation.

2.3.6 Maintenance of the Highest Quality Service

Accomplishments are focused on the use of new information technologies to develop and enhance systems and processes and investing in employees' professional development and organizational learning to maintain the highest quality of service.

- In 2007-2008, the Canadian Section continued to focus on the strategic management of human resources to ensure that it recruited competent, highly motivated employees, while offering a workplace atmosphere that promotes learning and professional development for all.
- The Section also revised, updated and harmonized its entire policy suite and other reference tools that employees need to do their work.

SECTION 3 – SUPPLEMENTARY INFORMATION

3.1 Departmental Link to Government of Canada Outcome Areas

It is increasingly clear that Canada's economic prosperity will continue to be significantly defined by its success in the North American market. The NAFTA's rules-based dispute resolution system provides stability and transparency for Canadian business as they continue to seek new opportunities and secure market access abroad.

It is also crucial that the integrity of the rules-based framework continues to provide an effective means to resolve trade disputes that may arise in such a large trading partnership. In this regard, the Canadian Section of the NAFTA Secretariat continues to provide services of the highest quality in the administration of dispute settlement processes. The strategic outcome is directly aligned with one of the Government of Canada's outcomes, which is **A Strong and Mutually Beneficial North American Partnership** (see Table below).

Alignment of our Strategic Outcome and Program Activity With Outcome Areas in the Whole-of-Government Framework

Strategic Outcome: A highly efficient, impartial and rules-based international trade dispute resolution process that benefits Canadian exporters to NAFTA countries, as well as NAFTA country exporters doing business in Canada.

	Actual Spending 2007-08			Alignment to Government of Canada Outcome Area
	Budgetary	Non-budgetary	Total	
Program Activity : Administration of International Trade Dispute Settlement Mechanisms	$1,618	$0	$1,618	A Strong and Mutually Beneficial North American Partnership

3.2 Financial Information

Tables 1 and 2 shown below provide a comparison of planned and actual spending and voted resources for the NAFTA Secretariat, Canadian Section.

Complete financial statements are enclosed in ANNEX C. They have been prepared in accordance with accrual accounting principles. The unaudited supplementary information presented in the financial tables in the DPR is prepared on a modified cash basis of accounting principles in order to be consistent with appropriations-based reporting. Note 3 of the financial statements reconciles these two accounting methods.

Table 1: Comparison of Planned to Actual Spending (Including FTEs)

This table provides a comparison of the Main Estimates, planned spending, total authorities, and actual spending for the most recently completed fiscal year, as well as historical figures for actual spending by the NAFTA Secretariat, Canadian Section.

($,000)						
Program Activity	Actual 2005-2006	Actual 2006-2007	**2007-2008**			
			Main Estimates	**Planned Spending**	**Total Authorities**	**Actual Spending**
Administration of International Trade Dispute Settlement Mechanisms	2,003	1,511	**3,001**	**3,001**	**2,908**	**1,618**[1]
Total	2,003	1,511	**3,001**	**3,001**	**2,908**	**1,618**[1]
Less: Non-respendable revenue	0	2	N/A	**0**	N/A	**0**
Plus: Cost of services received without charge	203	209	N/A	**236**	N/A	**212**
Total Departmental Spending	2,206	1,718	N/A	**3,237**	N/A	**1,830**
FTEs	12	9	N/A	**13**	N/A	**10**

1. The Canadian Section has one key program activity, which is the administration of international trade dispute settlement mechanisms. The amount reported also includes the expenditures related to the internal services that support our key program.

Table 2: Voted and Statutory Items

Vote or Statutory Item	Truncated Vote or Statutory Wording	2007-2008			
		Main Estimates	Planned Spending	Total Authorities	Actual Spending
55	Program Expenditures	2,802	2,802	2,814	1,524
(S)	Contributions to Employee Benefit Plans (EBP)	199	199	94	94
	Total	3,001	3,001	2,908	1,618

SECTION 4 – OTHER ITEMS OF INTEREST

4.1 Overview

- **Mandate:**
  - Administers the dispute settlement provisions of NAFTA Chapter 19 and 20;
  - Provide support to the NAFTA Free Trade Commission (See ANNEX A for details). And
  - Administers dispute settlement provisions in Canada's Free Trade Agreements with Israel, Chile and Costa Rica.

- **Size:**
  - 2007-2008 Actual Spending = $1,617,997
  - Number of FTEs = 10

- **Role:**
  - Administration of international trade dispute settlement mechanisms by providing registry services and procedural guidance with respect to the Rules of Procedures, Code of Conduct and conflict of interest guidelines that apply to panels of experts who hear and decide on cases brought before them (visit http://www.nafta-sec-alena.org/DefaultSite/index_e.aspx?DetailID=8 for an overview of NAFTA dispute settlement provisions); and
  - Joint administration of dispute settlement panels with the other involved national section(s) following an appeal of a decision made by an investigating authority such as, in Canada, the Canada Border Services Agency (CBSA) and the Canadian International Trade Tribunal (CITT) and government to government disputes involving two or three Parties.

- **Reporting Relationship:**
  - Reports to Parliament through the Minister of International Trade (see Section 4.7 for Accountability Structure).

4.2 Who We Are

The NAFTA Secretariat is a unique organization established by the Free Trade Commission, pursuant to Article 2002 of the NAFTA. It comprises the Canadian, the United States and the Mexican national sections.

4.3 Where We Are Located

The national sections, which are "mirror-images" of each other, are located in Ottawa, Washington and Mexico City, and each is headed by a Secretary appointed by her/his respective government.

4.4 How We Are Organized

Each national section maintains a court-like registry relating to panel and committee proceedings. The involved national sections provide joint administration of panel and committee proceedings and share equally all expenses related to such proceedings. As a result, the national sections have harmonized their registry operations and records management practices. Further, the three national sections have jointly developed and administer the Integrated Registry Information System and the NAFTA Trilateral website, which are hosted by the Canadian Section. In light of this, the Canadian Section's relationship with its counterpart sections in the United States and Mexico is fundamental to its effective performance.

4.5 Roles

In the administration of the dispute settlement provisions of the relevant free trade agreements (see ANNEX A for details), the NAFTA Secretariat, Canadian Section provides professional and advisory support to panels and committees and coordinates all panel and financial aspects of the process.

In addition to the assistance provided in support of the dispute resolution process, the Canadian Section is also involved in facilitating the operation of these agreements through the provision of information and professional services. This is achieved through initiatives such as the establishment of an Internet website, the maintenance of a library and reference centre, research and analysis of trade related issues and, through collaboration with other national sections, establishment of management, policy, and procedural frameworks.

4.6 Travel Policies

Special Travel Authorities:

The NAFTA Secretariat, Canadian Section follows the TBS Special Travel Authorities.

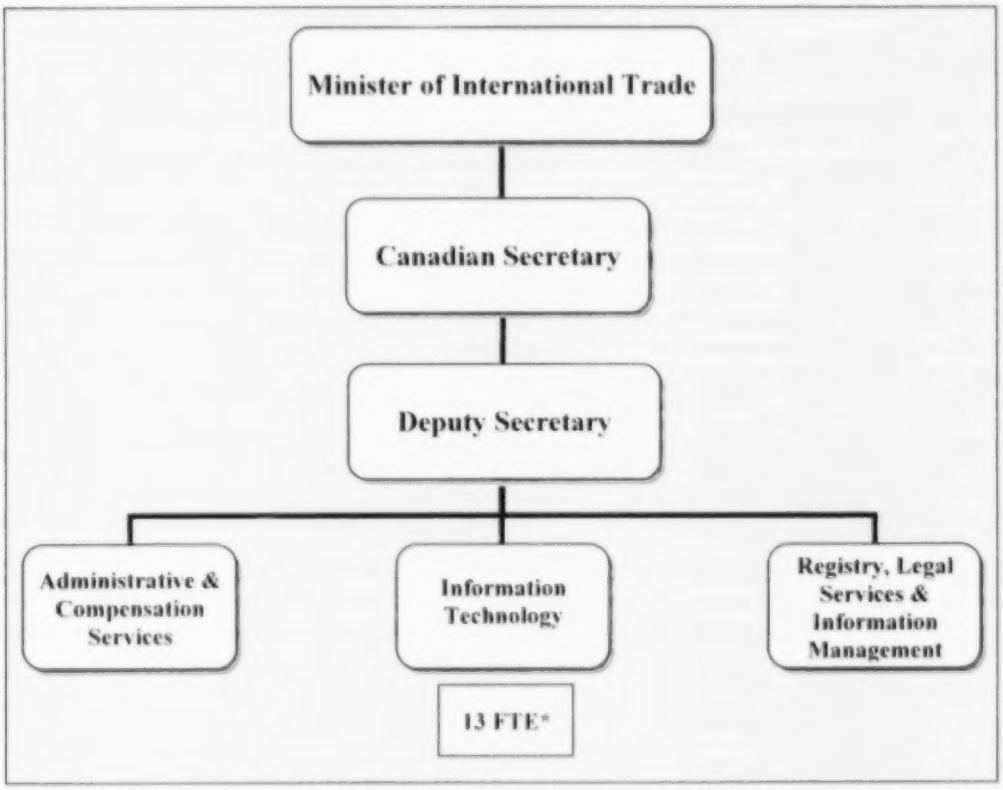
Travel Directive, Rates and Allowances:

The NAFTA Secretariat, Canadian Section follows the TBS Travel Directive, Rates and Allowances.

4.7 Responsibility Chart

The NAFTA Secretariat, Canadian Section has one program and one business line. For financial accountability purposes, the reporting structure is to Parliament through the Minister of International Trade (see figure 1).

Figure 1 The NAFTA Secretariat, Canadian Section's Organizational Structure



* Full-Time Equivalent (FTE): A full-time equivalent is the unit of measurement for personnel resources and refers to the employment of one person for one full year or the equivalent thereof. FTEs are not subject to Treasury Board control, but are disclosed in Part III of the Estimates in support of personnel expenditure requirements.

ANNEX A

The Mandate of the NAFTA Secretariat

The mandate of the Secretariat is set out in Article 2002.3 of the NAFTA and reads:

> *The Secretariat shall:*
>
> *a) provide assistance to the Commission;*
>
> *b) provide administrative assistance to:*
>
> *(i) panels and committees established under Chapter Nineteen (Review and Dispute Settlement in Antidumping and Countervailing Duty Matters), in accordance with the procedures established pursuant to Article 1908; and*
>
> *(ii) panels established under this Chapter, in accordance with procedures established pursuant to Article 2012; and*
>
> *c) as the Commission may direct:*
>
> *(i) support the work of other committees and groups established under this Agreement; and*
>
> *(ii) otherwise facilitate the operation of this Agreement.*

In 1997 and then again in 2002, the Canadian Section's mandate was expanded to include the administration of the dispute settlement processes under the following trade agreements:

- the Canada-Israel Free Trade Agreement (CIFTA);
- the Canada-Chile Free Trade Agreement (CCFTA); and
- the Canada-Costa Rica Free Trade Agreement (CCRFTA).

Legislation governing the work of the Canadian Section is as follow:

- *the North American Free Trade Agreement Implementation Act;*
- *the Special Imports Measures Act;*
- *the Canada-Israel Free Trade Agreement Implementation Act;*
- *the Canada-Chile Free Trade Agreement Implementation Act;* and
- *the Canada-Costa Rica Free Trade Agreement Implementation Act.*

Guiding Principles

Commitment to an Unbiased and Equitable Administrative Process	The NAFTA Secretariat, Canadian Section is committed to administering the dispute settlement provisions of the relevant Free Trade Agreements and other Bilateral Agreements as directed by the Parties in a manner which ensures unbiased administrative processes, equity, security and fairness.
Commitment to Service Quality	The NAFTA Secretariat, Canadian Section is committed to maintaining the highest quality of administration to all dispute settlement proceedings and to investing in technologies that will sustain future operations.
Support to Stakeholders	The NAFTA Secretariat, Canadian Section is committed to supporting and providing services to its stakeholders in dispute resolution in a manner that is impartial, responsive, accessible and timely.
Openness and Accountability	The NAFTA Secretariat, Canadian Section is committed to the promotion of a corporate culture implementing transparent management processes and accountability, both to the NAFTA Free Trade Commission and to the public.
Operational Efficiency	The NAFTA Secretariat, Canadian Section is committed to pursuing alternative service delivery to enhance information access and sharing and to improve operating practices.
Continuous Learning	The NAFTA Secretariat, Canadian Section is committed in having in place professional and motivated employees and in offering them the opportunity to advance their careers through continuous learning.

ANNEX C

Financial Statements (Unaudited)

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NAFTA SECRETARIAT, CANADIAN SECTION

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2008 and all information contained in these statements rests with NAFTA Secretariat - Canadian Section management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the department's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Secretariat's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Secretariat.

The financial statements of the Secretariat have not been audited.

Daniel Plourde
Secretary and Senior Financial Officer
Ottawa, Ontario
August 5, 2008

NAFTA SECRETARIAT, CANADIAN SECTION

Statement of Operations (Unaudited)

For the year ended March 31
(in dollars)

	2008	2007
Expenses		
Salaries and employee benefits	834,506	706,117
Professional and special services	486,170	272,385
Accommodation	205,299	205,299
Communications, travel and relocation	67,138	48,202
Amortization	63,753	42,490
Material and supplies	35,151	24,060
Repairs and maintenance	23,805	20,151
Furniture and equipment	17,991	28,547
Miscellaneous	6,580	4,095
Equipment rentals	5,383	5,571
Information	5,005	6,930
Total Expenses	1,750,781	1,363,849
Miscellaneous Revenues	1,219	2,039
Net Cost of Operations	1,749,563	1,361,810

The accompanying notes form an integral part of these financial statements.

NAFTA SECRETARIAT, CANADIAN SECTION

Statement of Financial Position (Unaudited)

as at March 31
(in dollars)

	2008	2007
Assets		
Financial assets		
Accounts receivable and advances (Note 4)	132,397	255,089
Total financial assets	**132,397**	**255,089**
Non-financial assets		
Tangible capital assets (Note 5)	150,223	97,386
Total non-financial assets	**150,223**	**97,386**
TOTAL	**282,620**	**352,475**
Liabilities		
Liabilities		
Accounts payable and accrued liabilities	284,848	272,980
Vacation pay and compensatory leave	57,439	70,666
Employee severance benefits (Note 6)	163,128	153,112
	505,415	**496,758**
Equity of Canada	**(222,795)**	**(144,283)**
TOTAL	**282,620**	**352,475**

The accompanying notes form an integral part of these financial statements.

NAFTA SECRETARIAT, CANADIAN SECTION

Statement of Equity of Canada (Unaudited)

as at March 31
(in dollars)

	2008	2007
Equity of Canada, beginning of year	**(144,283)**	(726,520)
Net cost of operations	**(1,749,563)**	(1,361,810)
Current year appropriations used (Note 3)	**1,617,997**	1,511,318
Net change in Consolidated Revenue Fund (Note 3)	**(159,135)**	223,989
Services provided without charge from other government departments (Note 7a)	**212,190**	208,740
Equity of Canada, end of year	**(222,795)**	**(144,283)**

The accompanying notes form an integral part of these financial statements.

NAFTA SECRETARIAT, CANADIAN SECTION

Statement of Cash Flow (Unaudited)

For the year ended March 31
(in dollars)

	2008	2007
Operating activities		
Net cost of operations	**1,749,563**	1,361,810
Non-cash items		
Amortization of capital assets	**(63,753)**	(42,490)
Services provided without charge from other departments (Note 7a)	**(212,190)**	(208,740)
	1,473,620	**1,110,580**
Increase (decrease) in accounts receivable and advances	**(122,692)**	75,646
Decrease (increase) in liabilities	**(8,657)**	461,522
Cash used by operating activities	**1,342,271**	**1,647,748**
Capital investment activities		
Acquisitions of tangible capital assets	**116,591**	87,559
Cash used by capital investment activities	**116,591**	**87,559**
Financing Activities		
Net cash provided by Government of Canada	**(1,458,862)**	**(1,735,307)**

The accompanying notes form an integral part of these financial statements.

NAFTA SECRETARIAT, CANADIAN SECTION

Notes to the Financial Statements (Unaudited)

1. Authority and objectives

The NAFTA Secretariat comprised of the Canadian, United States and Mexican national sections is a unique organization, established by the NAFTA Free Trade Commission. The mandate of the Secretariat is set out in Article 2002.3 of the North American Free Trade Agreement.

The NAFTA Secretariat, Canadian Section's program objective is to implement the dispute settlement provisions of the North American Free Trade Agreement (NAFTA), the Canada-Israel Free Trade Agreement (CIFTA), the Canada-Chile Free Trade Agreement (CCFTA), and the Canada-Costa Rica Free Trade Agreement (CCRFTA), by providing support to panels established under the relevant agreements and by maintaining a court-like registry system relating to panel, committee and tribunal proceedings of the relevant agreements.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations – The NAFTA Secretariat, Canadian Section is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Secretariat do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

(b) Net Cash Provided by Government – The NAFTA Secretariat, Canadian Section operates within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash received by the Secretariat is deposited to the CRF and all cash disbursements made by the Secretariat are paid from the CRF. Net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respendable revenue recorded by the department. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues – Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses – Expenses are recorded on the accrual basis:

i. Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

ii. Services provided without charge by other government departments for accommodation and the employer's contribution to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

i. Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The NAFTA Secretariat, Canadian Section's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the Secretariat to make contributions for any actuarial deficiencies of the plan.

2. Summary of significant accounting policies (continued)

ii. Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

(h) Foreign currency transactions – Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31.

(i) Tangible capital assets – All tangible capital assets and leasehold improvements having an initial cost of $500 or more are recorded at their acquisition cost.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the assets as follows:

Asset Class	Amortization Period
Office furniture and equipment	5 years
Computer software	3 years
Computer hardware	3 years
Leasehold improvements	Lease term

(j) Measurement uncertainty – The preparation of these financial statements, in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The NAFTA Secretariat, Canadian Section receives all of its funding through annual Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the NAFTA Secretariat, Canadian Section has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used:	**2008**	**2007**
	(in dollars)	
Net cost of operations	1,749,563	1,361,810
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Services provided without charge	(212,190)	(208,740)
Vacation and compensatory leave	13,227	6,479
Amortization of tangible capital assets	(63,753)	(42,490)
Employee severance benefits	(10,016)	59,142
Shared cost activities - net (Note 7c)	-	(17,500)
Adjustment to prior years Payables At Year End (PAYE)	23,295	245,438
Other	1,280	19,620
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Acquisition of tangible capital assets	116,591	87,559
Current year appropriations used	1,617,997	1,511,318

(b) Appropriations provided and used:

	Appropriations Provided	
	2008	**2007**
	(in dollars)	
Vote 15 – Operating expenditures	2,802,000	2,789,000
Transfer from TB Vote 15	12,000	17,000
Contributions to employee benefits plan	93,664	133,858
Less:		
Lapsed appropriations: Operating	(1,289,668)	(1,428,540)
Total appropriations used	1,617,997	1,511,318

3. Parliamentary Appropriations (continued)

(c) Reconciliation of net cash provided by Government to current year appropriations used:

	2008	2007
	(in dollars)	
Net cash provided by Government	1,458,862	1,735,307
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	122,692	(75,646)
Variation in accounts payable and accrued liabilities	8,657	(461,522)
Shared cost activities - net (Note 7c)	-	(17,500)
Adjustment to prior years Payables At Year End (PAYE)	23,295	245,438
Other adjustments	4,491	85,241
	159,135	(223,989)
Current year appropriations used	1,617,997	1,511,318

4. Accounts Receivable and Advances

The following table presents details of the accounts receivable

	2008	2007
	(in dollars)	
Receivables from other Federal Government departments and agencies	92,832	95,989
Receivables from external parties	39,165	158,700
Advances	400	400
Total	132,397	255,089

5. Tangible Capital Assets

(in dollars)

	Cost				Accumulated amortization					
Capital asset class	Opening balance	Acquisitions	Disposals	Closing Balance	Opening balance	Amortization	Disposals	Closing Balance	2008 Net Book Value	2007 Net Book Value
Office furniture and equipment	125,245	20,085	(4,710)	140,620	110,744	6,356	(4,710)	112,390	28,230	14,501
Computer hardware	312,846	17,817	(11,087)	319,576	255,194	31,680	(11,087)	275,787	43,789	57,652
Computer software	17,377	61,500	-	78,877	7,312	15,125		22,437	56,440	10,065
Leasehold improvements	77,792	17,189	-	94,981	62,624	10,593		73,217	21,764	15,168
Total	533,260	116,591	(15,797)	634,054	435,874	63,754	(15,797)	483,831	150,223	97,386

Amortization expense for the year ended March 31, 2008 is $63,754 (2007 - $42,490).

6. Employee Benefits

(a) Pension benefits: The NAFTA Secretariat, Canadian Section's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the department contribute to the cost of the Plan. The 2007-08 expense amounts to $68,281 ($98,774 in 2006-2007), which represents approximately 2.1 times (2.2 in 2006-2007) the contributions by employees.

The Secretariat's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: The NAFTA Secretariat, Canadian Section provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	2008	2007
	(in dollars)	
Accrued benefit obligation, beginning of year	153,112	212,254
Expense (recovery) for the year	10,016	(59,142)
Benefits paid during the year	-	-
Accrued benefit obligation, end of year	163,128	153,112

7. Related party transactions

The NAFTA Secretariat, Canadian Section is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Secretariat enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the department received services which were obtained without charge from other Government departments as presented in part (a).

(a) Services provided without charge:

During the year the NAFTA Secretariat, Canadian Section received without charge from other departments, accommodation and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in the Secretariat's Statement of Operations as follows:

	2008	2007
	(in dollars)	
Accommodation	162,794	162,794
Employer's contribution to health and dental insurance plans	49,396	45,946
	212,190	208,740

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll, cheque issuance and translation services provided by Public Works and Government Services Canada, are not included as an expense in the NAFTA Secretariat, Canadian Section's Statement of Operations.

7. Related party transactions (continued)

(b) Payables and receivables outstanding at year-end with related parties:

	2008	2007
	(in dollars)	
Accounts receivable with other government departments and agencies	92,832	95,989
Accounts payable to other government departments and agencies	8,239	57,628

(c) Administration of cost shared services:

In previous years the NAFTA Secretariat, Canadian Section was responsible for the coordination and management of the funds obtained by the Council of the Network of Departmental Official Languages Champions (CNDOLC). These responsibilities were transferred to Library and Archives Canada during the course of the year. The Council is funded according to voluntary contributions from departments and agencies. In 2006-2007, the contributions received exceeded the funding required by the Council and thus, $17,500 was transferred to the Treasury Board at year end.

HOW TO CONTACT US

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